

AGENDA: January 19, 2010

7.2

CATEGORY: New Business

DEPT.: Public Works

TITLE: Agreement between the City and the County of Santa Clara for Cooperative Purchasing of Power

RECOMMENDATION

Authorize the City Manager to execute a multi-jurisdictional Agreement for Cooperative Purchasing of Power with the County of Santa Clara to develop a regional Power Purchase Agreement (PPA) and solicit proposals to purchase renewable energy.

FISCAL IMPACT

There is no cost associated with executing the proposed agreement, except limited staff time reviewing documents. If the City does participate in a PPA, the cost to purchase, install, maintain and remove a solar system would be borne by the vendor with whom the City contracts. The City would only be responsible for purchasing power, the costs of which are unknown until responses to the Request for Proposals (RFP) are received and accepted; however, in general terms, a PPA yields costs lower than PG&E rates over the 15- to 20-year term of the agreement.

The cost of the three site surveys, described below, is \$4,000 per site. Surveys are required prior to entering into the PPA.

BACKGROUND

Joint Venture:Silicon Valley Network (Joint Venture), through its Climate Protection Task Force, initiated a collaborative effort in 2009 to investigate a regional purchase of power from photovoltaic solar systems at a reduced group rate for area cities and counties with Santa Clara County as the lead agency. Joint Venture and Santa Clara County officials undertook this task at the request of Santa Clara and San Mateo County cities due to the high upfront costs to purchase individual solar systems and the significant legal, procurement and technical issues associated with financing arrangements such as PPAs. The aim of the project is to reduce each agency's CO₂ emissions by purchasing solar power while achieving an economy of scale with a group purchase, resulting in lower power prices.

Power Purchase Agreement

A PPA is a long-term contract, generally 15 to 20 years, in which the City agrees to host a solar system owned by a private vendor and purchase the electricity from the vendor

according to an agreed-upon price schedule. The vendor funds installation and maintenance of the system and receives payment for the power from the City as well as Federal tax incentives available only to the private sector. The vendor is also responsible for removing the system at the end of the contract if the City chooses not to continue or purchase it.

ANALYSIS

This Agreement for Cooperative Purchasing of Power is the first step toward a regional purchase of renewable power for City and County operations. The Agreement describes the roles and responsibilities of Santa Clara County and each participating city in developing the RFP, the vendor selection process and a master PPA that can be used as a template for all of the participating agencies. The goal of this agreement is to solidify the City's participation in the process. The price and terms of the PPA will not be finalized until the RFP solicitation is completed. Once the PPA is finalized, it will be presented to the Council for consideration. Santa Clara County will act as the lead for approximately 24 agencies and 90 potential sites by preparing and creating templates of transaction documents. They will also collaborate with all participating cities on research and staff support, site-specific data gathering, document creation, RFP criteria and the evaluation and award process.

Under the terms of the Agreement, the cities must each undertake their own due diligence, including site feasibility, legal, procedural and other requirements. While each city will use the template documents, individual agencies may customize their agreements and are responsible for including their own unique criteria, if any. The Mountain View City Attorney's Office is participating in the development of the PPA with the County and other interested cities.

Agreement Summary

The agreement between the City and the County of Santa Clara includes the following elements:

- Santa Clara County will act as the lead agency.
- Santa Clara County will provide staff support preparing all appropriate template documents at no cost to the participating agencies.
- The participating agencies will collaborate throughout the process, advising the County.
- Each participating agency must undertake their own due diligence, including site feasibility, legal, procedural and other requirements.
- The participating agencies may enter into the template PPA with the selected vendor(s).

Site Surveys

The City of Milpitas hired CH2M Hill to perform site surveys and invited other cities to join them to take advantage of a lower per-survey rate. Milpitas is managing the survey contract. Mountain View is participating by having the following sites surveyed:

- Golf Pro Shop and/or parking lot.
- Shoreline maintenance facility and/or carport structures.
- 135 Bryant Street garage.

These sites appear to meet the initial criteria of having adequate sun exposure, sufficient power demand, no complicated roof treatments and access for maintenance of the solar system. The detailed site survey will provide more information about the suitability of these locations. If any of the proposed sites are not feasible, the City can withdraw the site.

Key Elements of a PPA

The pros and cons of a regional collaboration PPA as described by Santa Clara County are:

Pros:

- The upfront cost is very low, consisting of the site survey and staff time.
- The cost of electricity is stabilized and known for an extended time, likely 15 to 20 years.
- There are no operating or maintenance costs.
- Systems include minimum performance guarantees for power output.
- Flexibility is provided with various termination options as well as purchase options at specified periods.
- The City's greenhouse gas emissions from operations are reduced.
- The cost of photovoltaic systems are reduced through volume purchasing.
- The recommended agreement provides all cities access to legal, procurement and technical expertise by Santa Clara County, which participating agencies would otherwise have to pay for.

- Installation of solar systems supports local clean tech jobs.

Cons:

- Based on an analysis by Santa Clara County of the typical PPA, the total cost over 15 to 20 years is more expensive than purchasing a solar power system with upfront capital but less expensive than financing a power system through bonds. Initial power costs are expected to be slightly higher than PG&E rates but escalated at a lower rate. Over time, rates would be lower, resulting in reduced costs during the life of the contract.
- Vendor must have access to public facilities for installation and maintenance of solar systems.
- Structuring of a PPA is complex and a legally intensive process.

NEXT STEPS

The County of Santa Clara has requested signed agreements from participating agencies by the end of January 2010 so they can move forward with the solicitation process. Upon receipt of all signed agreements and completion of the site surveys, Santa Clara County will solicit proposals from reputable vendors for a PPA, likely in February/March. If the solicitation is successful, the actual PPA between Mountain View and the selected vendor(s) will be brought to Council later this year for action.

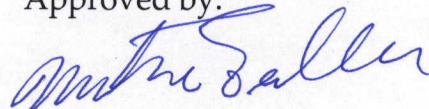
PUBLIC NOTICING—Agenda posting.

Prepared by:

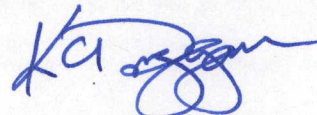


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